

News and Information

from the Tennessee Division of Consumer Affairs

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FEDERATED DEPARTMENT STORES AGREES TO PAY \$14 MILLION SETTLEMENT IN ALLEGED IMPROPER DEBT COLLECTION CASE

The owner of Bloomingdale's, Macy's and several other large department stores has agreed to pay a multi state settlement for alleged improper debt collection practices valued at over \$14 million.

Federated Department Stores, which also owns Goldsmith's, Broadway's, The Bon Marche, Burdines, Lazarus, Rich's, Macy's East, Macy's West and Stern's in addition to Bloomingdales, will pay Tennessee approximately \$40,000. In addition, the company has agreed to refund Tennessee consumers approximately \$79,000 and forgive an estimated \$114,000 in debt.

The 20 states allege in their complaints that Federated invited customers who filed Chapter 7 bankruptcy to sign a contract agreeing to repay their debt rather than have it discharged in bankruptcy. Federated then, according to the complaint, failed to file those agreements with the Bankruptcy Court as required by law. The practice is alleged to have gone on since 1990.

A reaffirmation agreement is a written contract under which a Chapter 7 debtor agrees to repay a debt that would otherwise be discharged in bankruptcy. These agreements are supposed to be voluntary. Such agreements are enforceable only if they are filed, and in certain circumstances, approved by the bankruptcy court.

"Tennessee consumers signed these agreements believing they would get additional credit or save their goods from repossession," Attorney General John Knox Walkup said. "Although the debt had been legally discharged by the bankruptcy court, these customers incorrectly believed they still had to pay back the debt."

Under the settlement, any affected consumers identified by Federated or through the claims process, will:

- Have their "reaffirmed" debt stricken and Federated will waive any rights to repossess the merchandise;
- Be reimbursed or receive credit for finance charges, and penalties charged by Federated, and be reimbursed or receive credit for any money paid on the reaffirmed debt plus 10 percent interest;
- Be eligible to receive a pro rata payment based upon the amount of payments they made on an unlawful debt.

"We appreciate that Federated cooperated fully in the investigation," Walkup said, "and that the

company took steps voluntarily last summer to identify and credit the accounts of customers for amounts already collected."

Those consumers affected by the case and identified by the company should already have received a credit on their accounts and should receive a note in the mail by March 15 with instructions on how to convert the credit to a cash reimbursement. Those consumers who have not yet been identified by the company should file a proof of claim by May 15 with the settlement administrator to be selected later. To file a proof of claim, write to: The Tennessee Division of Consumer Affairs, 500 James Robertson Parkway, Fifth Floor, Nashville, TN 37243.